
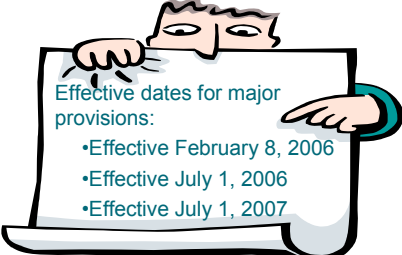


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**HERA**


### Law Enacted February 8, 2006



Effective dates for major provisions:

- Effective February 8, 2006
- Effective July 1, 2006
- Effective July 1, 2007

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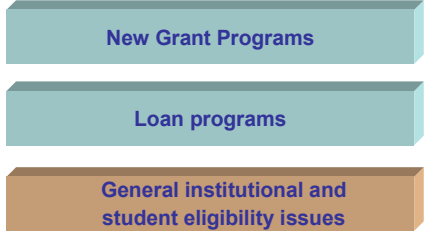
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**HERA**

Areas impacted by change:




**New Grant Programs**

**Loan programs**

**General institutional and student eligibility issues**

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3

**Topic Summary**

|  |  |
|--|--|
| <ul style="list-style-type: none"><li>• Student Eligibility</li><li>• Academic Year</li><li>• Program Eligibility</li><li>• Distance Education</li></ul> | <ul style="list-style-type: none"><li>• Expected Family Contribution</li><li>• Cost of Attendance</li><li>• Need Analysis</li><li>• R2T4</li></ul> |
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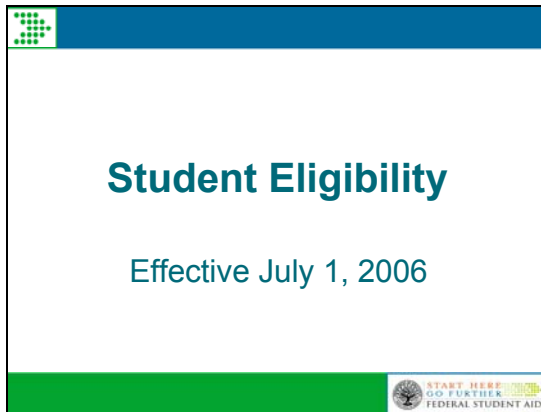
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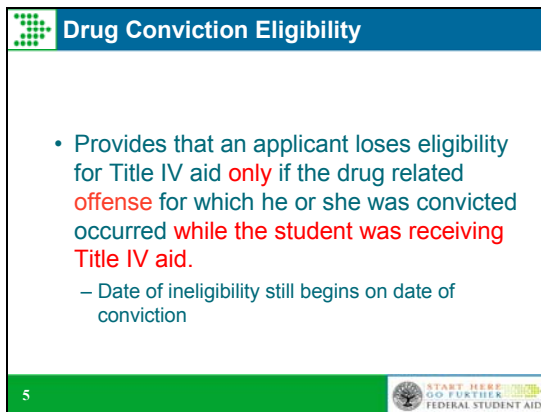
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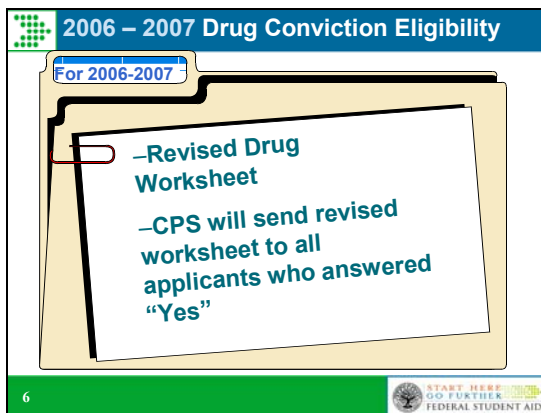
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7

**2007 – 2008 Drug Conviction Eligibility**

For 2007-2008

–New language will be incorporated into FAFSA, FAFSA on the Web, and CPS

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8

**Active Duty Military Now Independent Students**



- HERA adds the following individuals to those that are considered independent
  - Serving on Active Duty in the Armed Forces for other than Training Purposes

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9

**Active Duty Military Now Independent Students**

- Also included in Active Duty Military are:
  - National Guard or Reserves called to Active Duty
    - For other than Training Purposes, and
    - Activated by Federal Authority

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10

### Repayment of Fraudulently Obtained Title IV

- If student is convicted, or has pled nolo contendere (no contest) or guilty to, a crime involving fraud in obtaining Title IV Funds
  - Is ineligible to receive Title IV funds until s/he has completely repaid fraudulently obtained funds to the Secretary or loan holder(s).

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11

## Academic Year

Effective July 1, 2006



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12

### Length of Academic Year

- New Definition
  - Minimum:
    - 30 weeks of instructional time for a program measured in Credit Hours
    - 26 weeks instructional time for a program measured in Clock Hours

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13

## Program Eligibility

Effective July 1, 2006



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14

## Direct Assessment of Student Learning

- HERA adds Competency Based Student Learning as new type of Eligible Program
  - Must be consistent with accreditation
  - Direct Assessment programs are not programs offering credit for “Life Experience”

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15

## Distance Education

Effective July 1, 2006

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### Modification of 50% Rule

- Telecommunication courses no longer considered correspondence courses
- Telecommunication students no longer considered correspondence students

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### Modification to 50% Rules

- Schools with > 50% of telecom courses are Title IV eligible
- Schools with 50% or more students enrolled in telecom courses are Title IV eligible

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### Telecommunications Courses

- Short term telecommunications certificate programs less than 1 year also eligible

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## Cost of Attendance

Effective July 1, 2006

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## Excluded Assistance

- At school's option state assistance is excluded:
  - If designated to offset a specific component of COA
  - If excluded from either COA or EFA, it is excluded from both

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21

## Optional Cost of Attendance Components

- Less than half-time COA
  - May include room and board
- May include up to three semesters or equivalent
- No more than 2 semesters or equivalent may be consecutive

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### Optional Cost of Attendance Components

- **May** include cost of 1<sup>st</sup> professional license/certificate
  - Must be required by state or commonly required for employment
  - Cost must be incurred while enrolled
  - Does not include prep courses unless part of eligible program

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## Expected Family Contribution

Effective July 1, 2006

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24

### Family Ownership of Small Business

- Exclude from assets in need analysis any part of a family owned and controlled business with no more than 100 FT employees or FTE's

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25

 **Qualified Education Benefits**

- Qualified Education Benefits now include:
  - Coverdell education savings accounts
  - Prepaid tuition plans from a State
  - Qualified tuition plans (529 prepaid tuition and 529 savings plans)

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 **Qualified Education Benefits**

- Benefit is reported as an asset of parent of a dependent student
  - Only if the parent is the owner of the account or plan
- Not considered an asset of a dependent student
- Considered asset of an independent student if that student owns the plan

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 **Qualified Education Benefits In Need Analysis**

- 529 Prepaid tuition plan:
  - Value is equal to refund value of any credits or certificates purchased
- 529 savings plans and Coverdell:
  - Value is equal to current balance of the account

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### Qualified Education Benefits

- 529 plans and Coverdell accounts both treated as asset of the owner
  - Only if owner is not a dependent student
- Distributions from these plans are *never* treated as a resource or counted against COA

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## Simplified Needs Test and Automatic Zero EFC

Effective July 1, 2006



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### Automatic Zero EFC & SNT

- AGI Threshold increased to \$20,000 or less to qualify for auto zero EFC

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### Automatic Zero EFC & SNT

- For dependent students to qualify, only parent needs to have filed:
  - 1040A or 1040 EZ, or
  - Have been eligible to file 1040A or 1040 EZ, or
  - Was not required to file

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### Automatic Zero EFC & SNT

- CPS processing beginning 5/24/06
  - New AGI threshold and tax form edits in effect at CPS
  - Earlier ISIRs meeting the new criteria will be reprocessed for SNT and Auto Zero EFC

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### SNT and Auto Zero EFC

- Receipt of Federal means-tested benefit qualifies for SNT and auto zero EFC in place of tax return filed requirement
- Family must still meet the income requirements to qualify for SNT and auto zero

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### SNT and Auto Zero EFC

- Means-tested Federal benefits
  - SSI
  - Food Stamps
  - Free and reduced school lunches
  - TANF
  - Special supplemental nutrition program

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35

### SNT and Auto Zero EFC

- Based on benefit received in base year
  - Calendar year 2005 for 2006-07
- Benefit may be received by student, spouse, or parents (if dependent student)

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## Expected Family Contribution

Effective July 1, 2007



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### Dependent Students

- Student's Income Protection Allowance increased from \$2,200 to \$3,000
- Student's asset contribution reduced from 35% to 20%
- No change to parent IPA or asset contribution rate

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### Independent Students

- Without dependents other than spouse
  - Student's IPA changed from \$5,000 to \$6,050 (single student and married student with both enrolled)

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### Independent Students

- Without Dependents Other Than Spouse
  - IPA changed from \$8,000 to \$9,700 (married student, only one enrolled)

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40

### Independent Students

- Without Dependents Other Than Spouse:
  - Reduces asset conversion rate from 35% to 20%

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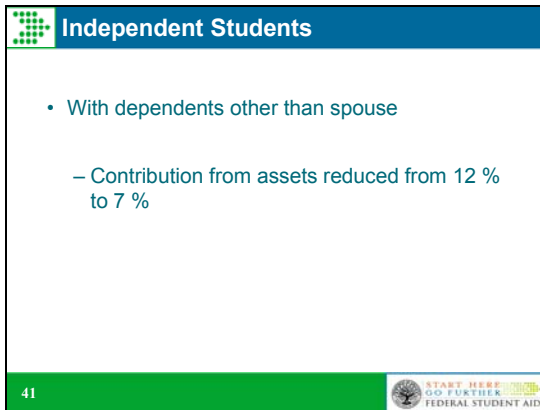
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### Independent Students

- With dependents other than spouse
  - Contribution from assets reduced from 12 % to 7 %

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### Updated Tables

- For 2007-2008 Award Year only
  - IPA increased by 5%
  - Only for independent students with dependents other than spouse

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## Return of Title IV Funds

Effective July 1, 2006



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### HERA's R2T4 Changes

- Program Applicability
- Completion of 60% of the period
- Scheduled Clock Hours
- Leaves of Absence
- Grant Overpayment Requirements
- Post-Withdrawal Disbursement Counseling
- Return of funds within 45 Days

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### Program Applicability

R2T4 Requirements Will Apply to:

Academic Competitiveness Grants

National SMART Grants

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**Program Applicability**

R2T4 Requirements Will No Longer Apply to:

- Leveraging Educational Assistance Partnership (LEAP)
- Supplemental Leveraging Educational Assistance Partnership (SLEAP)
- Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)
- Student Support Services (SSS)

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**Program Applicability**

STEP 1: Student's Title IV Aid Information

**Title IV Grant Programs**

|  | Amount Disbursed | Amount that Could Have Been Disbursed |
|--|------------------|---------------------------------------|
| 1. Pell Grant  |                  |                                       |
| 2. Academic Competitiveness Grant  |                  |                                       |
| 3. National SMART Grant  |                  |                                       |
| 4. FSEED   |                  |                                       |
| 5. Other Title IV Grant Funds*<br><small>*Do not include FWS, LEAP, or SLEAP</small> | A. Subtotal      | C. Subtotal                           |

**Title IV Loan Programs**

|   | Net Amount Disbursed | Net Amount that Could Have Been Disbursed |
|---|----------------------|---|
| 6. Unsubsidized FFEL/Direct Stafford Loan |                      |   |
| 7. Subsidized FFEL/Direct Stafford Loan   |                      |   |
| 8. Perkins Loan                           |                      |   |
| 9. FFEL/Direct PLUS (Graduate Student)    |                      |   |
| 10. FFEL/Direct PLUS (Parent)             | B. Subtotal          | D. Subtotal                               |

**E. Total Title IV aid disbursed for the payment period or period of enrollment.**

A. + B. = E. \$

**F. Total of Title IV grant aid disbursed + could have been disbursed for the payment period or period of enrollment.**

A. + C. = F. \$

**G. Total of Title IV aid disbursed + could have been disbursed for the payment period or period of enrollment.**

A. + B. + C. + D. = G. \$

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**Scheduled Clock Hours**



Only scheduled hours to be completed will be used to determine the percentage of the period completed

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**Clock Hour % of Title IV Aid Earned**

**STEP 2: Percentage of Title IV Aid Earned**

Withdrawal date  /  **DRAFT**

**H. Determine the percentage of payment period or period of enrollment completed:**  
Divide the clock hours scheduled to have been completed as of the withdrawal date in the payment period or period of enrollment by the total clock hours in the payment period or period of enrollment.

÷  =  . %

Hours scheduled to complete      Total hours in period

► If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.  
► If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

**H.      . %**

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**Percentage of Title IV Aid Earned Example**

- 450 clock hour payment period
- Student completed 235 clock hours
- Student was scheduled to complete 261 clock hours

**STEP 2: Percentage of Title IV Aid Earned**

Withdrawal date  /  **DRAFT**

**H. Determine the percentage of payment period or period of enrollment completed:**  
Divide the clock hours scheduled to have been completed as of the withdrawal date in the payment period or period of enrollment by the total clock hours in the payment period or period of enrollment.

261 ÷ 450 = 58.0 %

Hours scheduled to complete      Total hours in period

► If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.  
► If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

**H. 58.0 %**


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**Completion of 60% of the Period**

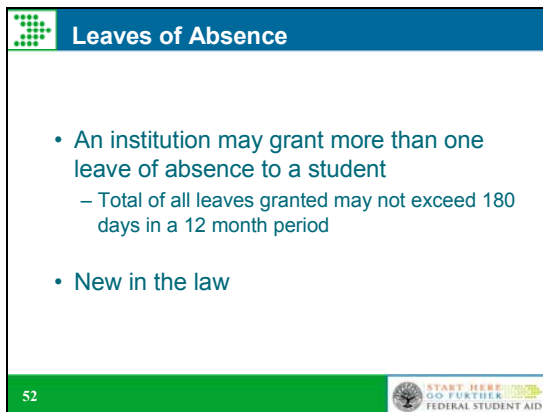
- ✓ Impacts Clock Hour schools
- ✓ Only scheduled Clock Hours used to determine percentage completed



Example: Student withdraws at the point they were **scheduled** to complete greater than 60%, they earn 100% of their Title IV Aid

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**Leaves of Absence**

- An institution may grant more than one leave of absence to a student
  - Total of all leaves granted may not exceed 180 days in a 12 month period
- New in the law

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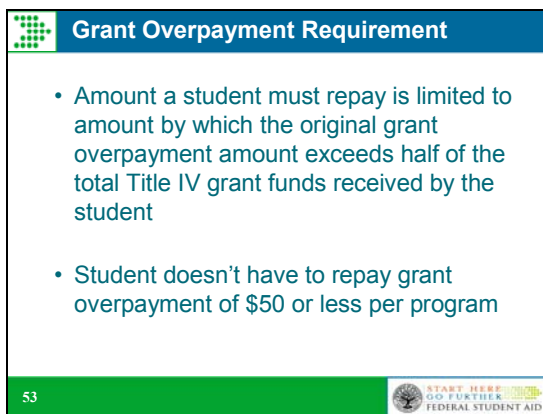
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**Grant Overpayment Requirement**

- Amount a student must repay is limited to amount by which the original grant overpayment amount exceeds half of the total Title IV grant funds received by the student
- Student doesn't have to repay grant overpayment of \$50 or less per program

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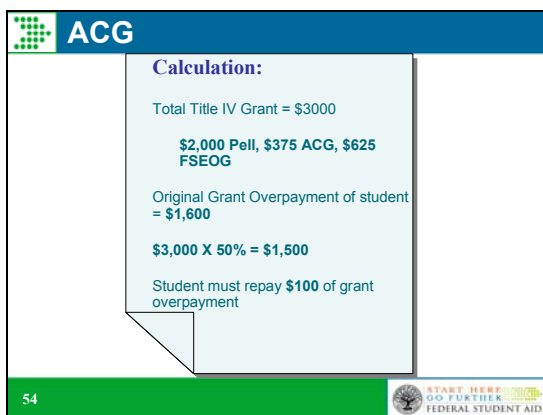
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**ACG**

**Calculation:**

Total Title IV Grant = \$3000

**\$2,000 Pell, \$375 ACG, \$625 FSEOG**

Original Grant Overpayment of student = **\$1,600**

**$\$3,000 \times 50\% = \$1,500$**

Student must repay **\$100** of grant overpayment

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**Grant Overpayment R2T4 Worksheet**

**STEP 9: Grant Funds to be Returned**

**S. Initial amount of Title IV grants for student to return**  
 Subtract the amount of loans to be repaid by the student (Box R) from the initial amount of unearned Title IV aid due from the student (Box Q).

$\$5,000 - \$3,400 = \text{S. } \$1,600.00$   
Box Q      Box R

**T. Amount of Title IV grant protection**  
 Multiply the total of Title IV grant aid that was disbursed and could have been disbursed for the payment period or period of enrollment (Box F) by 50%.

$\$3,000 \times 50\% = \text{T. } \$1,500.00$   
Box F

**U. Title IV grant funds for student to return**  
 Subtract the protected amount of Title IV grants (Box T) from the initial amount of Title IV grants for student to return (Box S).

$\$1,600 - \$1,500 = \text{U. } \$100.00$   
Box S      Box T

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**Order of Funds Returned by school**

**STEP 6: Return of Funds by the School**

The school must return the unearned aid for which the school is responsible (Box Q) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

**Title IV Programs**

|   | Amount for school to Return |
|---|-----------------------------|
| 1. Unsubsidized FFEL/Direct Stafford Loan       |                             |
| 2. Subsidized FFEL/Direct Stafford Loan         |                             |
| 3. Perkins Loan                                 |                             |
| 4. FFEL/Direct PLUS (Graduate Student)          |                             |
| 5. FFEL/Direct PLUS (Parent)                    |                             |
| <b>Total loans the school must return = P.S</b> |                             |
| 6. Pell Grant                                   |                             |
| 7. Academic Competitiveness Grant               |                             |
| 8. National SMART Grant                         |                             |
| 9. FSEOG  |                             |
| 10. Other Title IV Grant Funds                  |                             |

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**Order of Return of Grant Funds by the Student**

**STEP 10: Return of Grant Funds by the Student**

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied to the following sources in the order indicated up to the total amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

Note that the student is not responsible for returning funds to any program to which the student owes \$50.00 or less.

**Title IV Grant Programs**


|                                   | Amount To Return |
|-----------------------------------|------------------|
| 1. Pell Grant                     | \$100            |
| 2. Academic Competitiveness Grant |                  |
| 3. National SMART Grant           |                  |
| 4. FSEOG                          |                  |
| 5. Other Title IV Grant Funds     |                  |

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**Post-Withdrawal Disbursement Counseling**



- Institution is required to contact a withdrawn student prior to making a Post-Withdrawal Disbursement (PWD) of loan funds to explain loan obligations, and;
  - *Confirm if the loan funds are still wanted by the student*
- School must document the contact and final outcome determination

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**Return of Funds Within 45 Days**

- Must return unearned funds within 45 days after date of determination
- Refers to funds school is required to repay
- Increase from 30 to 45 days



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**Topic Summary**

|  |  |
|--|--|
| <ul style="list-style-type: none"><li>• Student Eligibility</li><li>• Academic Year</li><li>• Program Eligibility</li><li>• Distance Education</li></ul> | <ul style="list-style-type: none"><li>• Expected Family Contribution</li><li>• Cost of Attendance</li><li>• Need Analysis</li><li>• R2T4</li></ul> |
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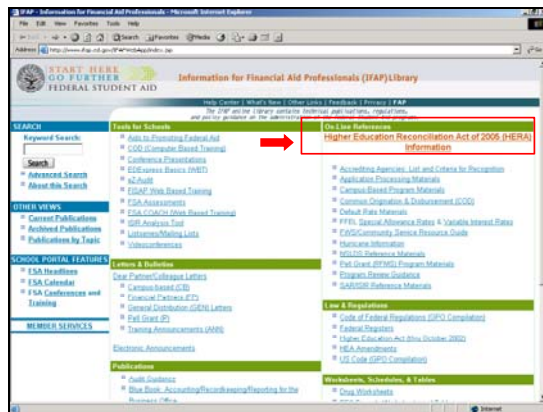
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